



# Monthly Economic Update

## April 2004



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This report is an update to the Quarterly Economic Indicators Report, both of which are available on the internet @ <http://www.montgomerycountymd.gov/finance>. For questions, please call (240) 777-8866.

➤ **Economic Conditions.** Based on the latest indicators, the national economy continued to expand in April at a rate comparable to the second half of 2003 and the first quarter of 2004. The Institute of Supply Management (ISM) reported that its purchasing managers' index was 62.4 percent indicating that the overall economy and manufacturing sector continue to grow. The ISM also reported that business activity in the non-manufacturing sector expanded at a record level. Retail sales were up 9.2 percent in April compared to April 2003 and that rate follows two months of double-digit growth (↑ 10.7% in February and ↑ 10.5% in March) compared to last year.

➤ **Financial Markets.** While the economy continued to expand in the second quarter, the stock market went in the opposite direction. By April's end, three major indices – Dow Jones (↓ 2.2%), NASDAQ (↓ 4.2%), and S&P 500 (↓ 0.5%) – were at December 2003 levels. Any growth in the stock market that occurred during the first two months of this year was erased during March and April.

A recent *Wall Street Journal* survey of 55 economists revealed that at least 75 percent of those surveyed anticipate a rate increase in federal funds by June and that almost 50 percent expect a rate of a least 2 percent by December. Such anticipation has led to increases in other rates particularly the 30-year fixed rate mortgage and was the primary reason for the weak stock market, despite healthy corporate earnings. Since mid-March, the rate has increased almost 100 basis points to 6.30 percent as of May 20.

➤ **Construction.** Non-residential construction activity in the County experienced mixed results in April. The number of permits issued during the month increased dramatically compared to April 2003 (↑ 77.2%) but the value in construction starts declined (↓ 62.5%). However, for the first four months of 2004, the value in non-residential construction increased 42.7 percent and the number of permits were up 20.6 percent compared

to the same period last year. Based on its four-month performance, non-residential construction appears to have rebounded compared to last year.

Residential construction activity continued to decline through the first four months of 2004. The number of single-family homes under construction so far this year was down 12 percent compared to the same period last year. During the January through April period, less than 620 units (or an annual rate of 1,860 units) were under construction compared to almost 700 units (annual rate of 2,100 units) during the first four months of last year. Compared to last year when the supply of new homes was 50 percent below potential demand, that gap between supply and demand has widened such that construction of new homes may be 60 percent below potential demand.

➤ **Real Estate.** Because of the imbalance between supply and demand, prices continued their accelerated pace during April. The average selling price of a home in the County stood at slightly over \$400,000 – a 15 percent increase over April of last year. While sales of homes increased 6.4 percent, prices increased 17 percent, and the number of days a property was on the market dropped 5 days compared with the same period last year and homes sold are slightly above 100 percent of the list price. While the sales of homes picked up significantly during the first four months of this year, the increase can be attributed to expectations that mortgage interest rates reached their historic low levels and are now on an upward trend through the remainder of the year.

➤ **Retail Sales.** Retail sales in the County as measured by sales tax receipts were up 6.0 percent in March compared to March 2003. For the first quarter of this year, retail sales were up 8.6 percent compared to the same period last year – the largest three-month increase in over eight years. Purchases of durable goods (↑ 9.6%) contributed to the jump in the County's quarterly retail sales.

SELECTED ECONOMIC INDICATORS	Reporting Period	Current Period	Prior Year's Period	Year To-Date		2003
				2004	2003	
Leading Indicators						
National	Apr	0.1%		4.3%		3.0%
Washington MSA	Feb	-0.8%		3.0%		2.5%
Coincident Indicators						
National	Apr	0.3%		1.8%		1.1%
Washington MSA	Feb	1.2%		4.7%		1.9%
Consumer Confidence Index						
National	Apr	5.0%		28.5%		13.6%
South Atlantic Region	Apr	-1.3%		28.2%		16.5%
Consumer Sentiment (University of Michigan)	May	0.0%		15.4%		6.8%
Consumer Price Index						
All Items (nsa)						
National	Apr	2.3%		1.9%		2.3%
Washington - Baltimore CMSA	Mar	1.9%		2.0%		2.8%
Core CPI (nsa)						
National	Apr	1.8%		1.4%		1.5%
Washington - Baltimore CMSA	Mar	1.5%		1.4%		2.4%
Retail Trade						
National (sales - nsa)	Apr	9.2%		9.2%		5.6%
Washington MSA (sales - nsa)	Feb	11.8%		9.9%		6.5%
Maryland (sales tax)	Mar	11.0%		12.0%		3.5%
Montgomery County (sales tax)	Mar	6.0%		8.6%		4.0%
Employment						
National (household data - nsa)	Apr	138,423,000	137,424,000	137,605,500	136,636,750	137,736,000
- Percent Change		0.7%		0.7%		0.9%
Washington PMSA (household data - nsa)	Mar	2,804,263	2,744,226	2,790,680	2,726,694	2,763,091
- Percent Change		2.2%		2.3%		1.6%
Montgomery County (resident)	Mar	500,234	488,401	498,451	487,170	495,052
- Percent Change		2.4%		2.3%		1.1%
Montgomery County (payroll)	Sept. '03	450,398	450,285	448,716	447,833	449,195
- Percent Change		0.0%		0.2%		0.7%
Unemployment						
National (nsa)	Apr	5.4%	5.8%	5.9%	6.2%	6.0%
Maryland (nsa)	Apr	3.7%	4.2%	4.2%	4.6%	4.3%
Washington PMSA	Mar	3.0%	3.6%	3.2%	3.6%	3.4%
Montgomery County	Mar	2.2%	2.7%	2.4%	2.8%	2.5%
Construction						
Construction Starts - Montgomery County						
Total (\$ thousand)	Apr	\$66,048	\$132,311	\$393,611	\$323,122	\$949,138
- Percent Change		-50.1%		21.8%		-42.7%
Residential (\$ thousand)	Apr	\$32,781	\$43,540	\$152,286	\$154,060	\$567,664
- Percent Change		-24.7%		-1.2%		-29.3%
Non-Residential (\$ thousand)	Apr	\$33,267	\$88,771	\$241,325	\$169,062	\$381,474
- Percent Change		-62.5%		42.7%		-55.5%
Building Permits (Residential)						
National	Mar	183,559	143,525	444,236	391,197	1,862,365
- Percent Change		27.9%		13.6%		6.6%
Maryland	Mar	2,312	2,132	5,904	5,931	30,125
- Percent Change		8.4%		-0.5%		2.8%
Montgomery County	Mar	307	272	908	1,521	4,590
- Percent Change		12.9%		-40.3%		-8.4%
Building Permits (Non-Residential)						
Montgomery County	Apr	218	123	644	534	1,798
- Percent Change		77.2%		20.6%		-3.2%
Real Estate						
National (saar)						
Sales	Mar	6,480,000	5,750,000	6,200,000	5,820,000	6,100,000
- Percent Change		12.7%		6.5%		9.6%
Median Price	Mar	\$174,100	\$162,100	\$170,800	\$160,367	\$170,000
- Percent Change		7.4%		6.5%		7.5%
Montgomery County						
Sales	Apr	1,343	1,164	4,409	4,145	16,534
- Percent Change		15.4%		6.4%		2.9%
Average Price	Apr	\$400,880	\$348,533	\$390,947	\$334,230	\$362,997
- Percent Change		15.0%		17.0%		13.2%
Median Price	Apr	\$335,000	\$280,000	\$321,829	\$267,750	\$295,500
- Percent Change		19.6%		20.2%		15.5%
Average Days on the Market	Apr	23	30	30	35	27